

Insurance Work Group

Notes

September 9, 2003

1:30 PM, Denali Commission

Participants: *Al Ewing, Brandon Allen, Christian Ulmann, Ed Phillips, Kevin Smith, Linda Hall, Mark Kelty, Kent Paul, Rachael Petro, Terry Harper, Tessa Wilson.*

Welcome:

Rachael Petro welcomed and thanked everyone for participating. She emphasized the importance of the diverse representation of the work group. She explained that any solution(s) the group recommends will need the support of everyone – especially if legislative or regulatory changes are needed.

Discussion:

Rural Property Insurance Program – Brandon Allen provided an overview of this concept which led to discussion among the group. Points made during the discussion were that this plan would require a large deductible (\$100,000 or greater) and that the scope of coverage could be limited under such a program.

The two main issues identified with this approach were:

- 1) What \$\$ is available to fund the deductible?
 - Government Agency?
- 2) Who would administer?
 - Existing entity (rather than create a new pool, use existing one)?

Brandon told the group that the rate number(s) could be determined. He agreed to come back to the next meeting with multiple rates/varying deductible levels. Kent Paul suggested RFPs be drafted soliciting proposals (from a wholesaler, from interested brokers in the community or from current pools). Brandon and the group agreed this would need to be done eventually, but felt the preliminary work could be done now which will secure a valid indication of where the price is going to be.

Tessa Wilson raised a concern about this plan removing the bulk of responsibility from the community and lessening accountability for safety efforts. The group agreed with this concern and verified the approach would be to move the deductible responsibility to the community in progressively greater steps.

Mark Kelty asked Kevin Smith how many communities are able to participate in AML/JIA and choose not to do so. Kevin said there are 162 organized cities and 52 school districts eligible to participate in the JIA program. He said AML has 140 in the program (about 65%).

California FAIR Plan – this plan was discussed very briefly. Linda Hall, Director, Division of Insurance, expressed serious concern about the effectiveness of a similar program within the State of Alaska. She said Alaska is not big enough; there are not enough premiums to fund this.

AMERIND – Kent Paul summarized what AMERIND is currently providing in the State which is coverage for the Housing Authorities. He noted AMERIND's ability to help with villages/tribes only.

Kent said that in order for communities to participate in any risk management program there must be a “hook” or incentive to do so. The group acknowledged this and confirmed that requiring insurance on publicly built infrastructure is the goal. First though, the group wants to be confident that call options for risk management have been explored for these communities.

Linda voiced her concern about additional risk pooling arrangements within the State of Alaska. She said that these programs require a premium/contribution which is good, but with a catastrophic event you can eat up this premium. THE AML/JIA, AMERIND or any self-funded program have the ability to go back to the community and collect more money. This exposes these communities to additional risk.

Pool Financial Re-Insurance – Chris Ulmann stated he and Bill Allen continue to investigate the possibility of some form of government funded start-up deductible. They will report at or before the next meeting.

Other Ideas – Other questions and ideas were posed in the meeting. Kevin wondered about competition and letting the communities shop around for coverage. Also, it was noted that AML/JIA could operate as a TPA (third party administrator) for a new pool without having to change law as long as the coverage was not written in the AML/JIA pool.

Chris Ulmann wondered how much of a loss history there is out there and suggested that the group compile the information from their entity so the group could get a better handle on it.

Action/Assignments:

- Brandon Allen will work with group to come up with numbers for discussion at next meeting.
- Terry Harper agreed to write up her idea(s) on education.
- Everyone agreed to gather loss history for compilation at next meeting.

Next Meeting:

Wednesday, October 15th, 1:30 PM, Denali Commission

Clipboard:

Education of the basic principles of risk management was identified as a critical component of any solution(s). Education must be systematic, ongoing and serves the potential as a preventative solution.